



Senate

General Assembly

File No. 678

January Session, 2013

Substitute Senate Bill No. 838

Senate, May 2, 2013

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A FUND FOR BIOSCIENCE INNOVATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) For the purpose of this
2 section and sections 2 to 4, inclusive, of this act:

3 (1) "Administrative costs" means the costs paid or incurred by the
4 administrator, including, but not limited to, peer review costs,
5 professional fees, allocated staff costs and other out-of-pocket costs
6 attributable to the administration and operation of the Connecticut
7 Bioscience Innovation Fund.

8 (2) "Administrator" means Connecticut Innovations, Incorporated,
9 in its capacity as administrator of the Connecticut Bioscience
10 Innovation Fund established pursuant to section 3 of this act.

11 (3) "Advisory committee" means the Bioscience Innovation
12 Advisory Committee established pursuant to section 2 of this act.

13 (4) "Early-stage business" means a business that has been in
14 operation for not more than three years and is developing or testing a
15 product or service that is (A) not yet available for commercial release,
16 or (B) commercially available in a limited manner, including, but not
17 limited to, market testing of prototypes and clinical trials.

18 (5) "Eligible recipient" means a duly accredited college or university,
19 a nonprofit corporation or a for-profit start-up or early-stage business.

20 (6) "Financial assistance" means any and all forms of grants,
21 extensions of credit, loans or loan guarantees, equity investments or
22 other forms of financing.

23 (7) "Return on investment" means any and all forms of principal or
24 interest payments, guarantee fees, returns on equity investments,
25 royalties, options, warrants and debentures and all other forms of
26 remuneration to the administrator in return for any financial assistance
27 offered or provided.

28 Sec. 2. (NEW) (*Effective from passage*) (a) There shall be a Bioscience
29 Innovation Advisory Committee that shall consist of the following
30 thirteen members: (1) Four appointed by the Governor; (2) one
31 appointed by the president pro tempore of the Senate; (3) one
32 appointed by the speaker of the House of Representatives; (4) one
33 appointed by the majority leader of the Senate; (5) one appointed by
34 the majority leader of the House of Representatives; (6) one appointed
35 by the minority leader of the Senate; (7) one appointed by the minority
36 leader of the House of Representatives; (8) the Commissioner of
37 Economic and Community Development and the Commissioner of
38 Public Health, or their designees, who shall serve as ex-officio, voting
39 members; and (9) the chief executive officer and executive director of
40 Connecticut Innovations, Incorporated, who shall serve as the
41 chairperson of the advisory committee. Each appointed member shall
42 have skill, knowledge and experience in relevant businesses and
43 sciences related to health care delivery, medical devices, life sciences,
44 insurance or information technology. All initial appointments to the
45 committee pursuant to this subsection shall be made not later than July

46 1, 2013. Appointed members shall each serve a term that is
47 coterminous with the respective appointing authority. Each member
48 shall hold office until a successor is appointed. Any vacancy occurring
49 on the committee, other than by expiration of term, shall be filled in
50 the same manner as the original appointment for the balance of the
51 unexpired term.

52 (b) The chairperson shall call the first meeting of the advisory
53 committee not later than September 30, 2013. The advisory committee
54 shall meet not less than quarterly thereafter, and at such other times as
55 the chairperson deems necessary.

56 (c) No member of the advisory committee shall receive
57 compensation for such member's services, except that each member
58 shall be entitled to reimbursement for actual and necessary expenses
59 incurred during the performance of such member's official duties.

60 (d) Seven members of the advisory committee shall constitute a
61 quorum for the transaction of any business or the exercise of any
62 power of the advisory committee. The advisory committee may act by
63 a majority of the members present at any meeting at which a quorum
64 is in attendance, for the transaction of any business or the exercise of
65 any power of the advisory committee, except as otherwise provided in
66 this section.

67 (e) Notwithstanding any provision of the general statutes, it shall
68 not constitute a conflict of interest for a trustee, director, partner,
69 officer, manager, shareholder, proprietor, counsel or employee of an
70 eligible recipient, or any individual with a financial interest in an
71 eligible recipient, to serve as a member of the advisory committee,
72 provided such trustee, director, partner, officer, manager, shareholder,
73 proprietor, counsel, employee or individual shall abstain from
74 deliberation, action or vote by the advisory committee in specific
75 respect to such eligible recipient.

76 Sec. 3. (NEW) (*Effective from passage*) (a) There is established a
77 Connecticut Bioscience Innovation Fund, to be held, administered,

78 invested and disbursed by the administrator pursuant to this section.
79 The fund shall contain any moneys required or permitted by law to be
80 deposited in the fund and any moneys received from any public or
81 private contributions, gifts, grants, donations, bequests or devises to
82 the fund. Repayment of principal and interest on loans issued from the
83 fund shall be credited to the fund and shall become part of the assets of
84 the fund. Any balance remaining in the fund at the end of any fiscal
85 year shall be carried forward in the fund for the fiscal year next
86 succeeding.

87 (b) Any return on investment received by the administrator as a
88 result of financial assistance provided from the Connecticut Bioscience
89 Innovation Fund to eligible recipients, or attributable to the investment
90 of the fund by the administrator, shall be deposited and held for the
91 use and benefit of the fund. Moneys in or received for the fund may be
92 deposited with and invested by any institution as may be designated
93 by the administrator at its sole discretion and paid as the administrator
94 shall direct. The administrator may make payments from such deposit
95 accounts for use in accordance with the provisions of this section.

96 (c) The Connecticut Bioscience Innovation Fund shall not be deemed
97 an account within the General Fund and shall be used exclusively for
98 the purposes provided in this section.

99 (d) The Connecticut Bioscience Innovation Fund shall be used (1) to
100 provide financial assistance to eligible recipients as may be approved
101 by the advisory committee pursuant to subsection (e) of this section,
102 (2) for the repayment of state bonds in such amounts as may be
103 required by the State Bond Commission, and (3) to pay or reimburse
104 the administrator for administrative costs pursuant to subsection (j) of
105 this section. Such financial assistance shall be awarded to further the
106 development of bioscience, biomedical engineering, health information
107 management, medical care, medical devices, medical diagnostics,
108 pharmaceuticals, personalized medicine and other related disciplines
109 that are likely to lead to an improvement in or development of
110 services, therapeutics, diagnostics or devices that are commercializable

111 and designed to advance the coordination, quality or efficiency of
112 health care and lower health care costs, and that promise, directly or
113 indirectly, to lead to job growth in the state in these or related fields.

114 (e) All expenditures from the Connecticut Bioscience Innovation
115 Fund, except for administrative costs reimbursed to the administrator
116 pursuant to subsection (j) of this section and amounts required for the
117 repayment of state bonds in such amounts as may be required by the
118 State Bond Commission, shall be approved by the advisory committee.
119 Any such approval shall be (1) specific to an individual expenditure to
120 be made, (2) for budgeted expenditures with such variations as the
121 advisory committee may authorize at the time of such budget
122 approval, or (3) for a financial assistance program to be administered
123 by staff of the administrator, subject to limits, eligibility requirements
124 and other conditions established by the advisory committee at the time
125 of such program approval.

126 (f) Connecticut Innovations, Incorporated shall provide any
127 necessary staff, office space, office systems and administrative support
128 for the operation of the Connecticut Bioscience Innovation Fund in
129 accordance with this section. In acting as administrator of the fund, the
130 administrator shall have and may exercise all of the powers of
131 Connecticut Innovations, Incorporated set forth in section 32-39 of the
132 general statutes, provided expenditures from the fund shall be
133 approved by the advisory committee pursuant to subsection (e) of this
134 section.

135 (g) The advisory committee shall establish an application and
136 approval process with guidelines and terms for financial assistance
137 awarded from the Connecticut Bioscience Innovation Fund to eligible
138 recipients. Such guidelines and terms shall include (1) a requirement
139 that any applicant for financial assistance shall be operating in the
140 state, or proposing to relocate operations to the state, in whole or in
141 part, as a condition of such financial assistance, (2) limitations on the
142 total amount of financial assistance that may be awarded in the form of
143 loans and grants, (3) eligibility requirements for loans and grants

144 designed to encourage and support collaborative ventures among
145 eligible recipients, (4) peer review requirements, (5) a process for
146 preliminary review of applications for strength and eligibility by the
147 administrator before such applications are presented to the advisory
148 committee for consideration, (6) return on investment objectives, and
149 (7) such other guidelines and terms as the advisory committee
150 determines to be necessary and appropriate in furtherance of the
151 objectives of this section.

152 (h) Financial assistance awarded from the Connecticut Bioscience
153 Innovation Fund to eligible recipients shall be used for costs related to
154 facilities, necessary furniture, fixtures and equipment, materials and
155 supplies, peer review, proof of concept or relevance, compensation,
156 and such other costs that the advisory committee determines to be
157 eligible for financial assistance within the purposes of this section.

158 (i) Beginning January 1, 2014, the administrator shall prepare for
159 each fiscal year a plan of operations and an operating and capital
160 budget for the Connecticut Bioscience Innovation Fund. Not later than
161 ninety days prior to the start of the fiscal year, the administrator shall
162 submit the plan and budget to the advisory committee for its review
163 and approval.

164 (j) Administrative costs shall be paid or reimbursed to the
165 administrator from the Connecticut Bioscience Innovation Fund,
166 provided the total of such administrative costs in any fiscal year shall
167 not exceed five per cent of the total amount of the allotted funding for
168 such fiscal year as determined in the operating budget prepared
169 pursuant to subsection (i) of this section. Nothing in sections 1 and 2 of
170 this act and this section shall require the administrator to risk or
171 expend the funds of Connecticut Innovations, Incorporated in
172 connection with the administration of the Connecticut Bioscience
173 Innovation Fund.

174 (k) Not later than April 15, 2014, and annually thereafter, the
175 administrator shall provide a report of the activities of the Connecticut
176 Bioscience Innovation Fund to the advisory committee for its review

177 and approval. Upon its approval, the advisory committee shall provide
 178 such report, in accordance with the provisions of section 11-4a of the
 179 general statutes, to the joint standing committees of the General
 180 Assembly having cognizance of matters relating to finance, revenue
 181 and bonding, appropriations, commerce, public health and higher
 182 education. Such report shall contain available information on the status
 183 and progress of the operations and funding of the Connecticut
 184 Bioscience Innovation Fund and the types, amounts and recipients of
 185 financial assistance awarded and any returns on investment.

186 Sec. 4. (NEW) (*Effective from passage*) (a) The State Bond Commission
 187 shall authorize the issuance of bonds of the state, in accordance with
 188 the provisions of section 3-20 of the general statutes, in principal
 189 amounts not exceeding in the aggregate two hundred million dollars
 190 for the Connecticut Bioscience Innovation Fund established pursuant
 191 to section 3 of this act. The amount authorized for the issuance and sale
 192 of such bonds in each of the following fiscal years shall not exceed the
 193 following corresponding amount for each such fiscal year, provided, to
 194 the extent the advisory committee does not provide for the use of all or
 195 a portion of such amount in any such fiscal year, such amount not
 196 provided for shall be carried forward and added to the authorized
 197 amount for the next succeeding fiscal year, and provided further, the
 198 costs of issuance and capitalized interest, if any, may be added to the
 199 capped amount in each fiscal year, and each of the authorized amounts
 200 shall be effective on July first of the fiscal year indicated as follows:

T1	Fiscal Year Ending	Amount
T2	June Thirtieth	
T3		
T4	2013	\$10,000,000
T5	2014	10,000,000
T6	2015	15,000,000
T7	2016	15,000,000
T8	2017	25,000,000
T9	2018	25,000,000

T10	2019	25,000,000
T11	2020	25,000,000
T12	2021	25,000,000
T13	2022	25,000,000
T14		
T15	Total	\$200,000,000

201 (b) The State Bond Commission shall approve a memorandum of
202 understanding between the administrator and the state, acting by and
203 through the Secretary of the Office of Policy and Management and the
204 Treasurer, providing for the issuance of said bonds for the purposes of
205 the Connecticut Bioscience Innovation Fund, including provisions
206 regarding the extent to which federal, private or other moneys then
207 available or thereafter to be made available for costs should be added
208 to the proceeds of the bonds authorized pursuant to this section for
209 such project or program. The memorandum of understanding shall be
210 deemed to satisfy the provisions of section 3-20 of the general statutes
211 and the exercise of any right or power granted thereby that is not
212 inconsistent with the provisions of this section.

213 (c) All provisions of section 3-20 of the general statutes, or the
214 exercise of any right or power granted thereby, that are not
215 inconsistent with the provisions of this section are hereby adopted and
216 shall apply to all bonds authorized by the State Bond Commission
217 pursuant to this section. Temporary notes in anticipation of the money
218 to be derived from the sale of any such bonds so authorized may be
219 issued in accordance with said section, and from time to time renewed.
220 All bonds issued pursuant to this section shall be general obligations of
221 the state and the full faith and credit of the state of Connecticut are
222 pledged for the payment of the principal of and interest on said bonds
223 as the same become due, and accordingly and as part of the contract of
224 the state with the holders of said bonds, appropriation of all amounts
225 necessary for punctual payment of such principal and interest is
226 hereby made, and the Treasurer shall pay such principal and interest

227 as the same become due.

228 (d) Subject to the amount of limitations of the capping provisions in
229 subsection (a) of this section, the principal amount of the bonds
230 authorized under this section shall be deemed to be an appropriation
231 and allocation of such amount, and such approval of such request shall
232 be deemed the allotment by the Governor of such capital outlays
233 within the meaning of section 4-85 of the general statutes.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section

Statement of Legislative Commissioners:

In the introductory provision of section 1, "2 and 3" was changed to "2 to 4, inclusive," for statutory consistency.

CE Joint Favorable C/R

FIN

FIN Joint Favorable Subst.-LCO

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Treasurer, Debt Serv.	GF - Cost	None	1 million

Municipal Impact: None

Explanation

The bill authorizes \$200 million in General Obligation (GO) bonds between FY 13 and FY 22. The General Fund debt service cost associated with issuing this amount is \$305 million (comprised of \$105 million in interest cost and \$200 million in principal), assuming that the bonds are issued for a 20 year term at an interest rate of 5.0%.

There is no debt service impact in FY 14. The bill will result in a \$1.0 million increase in General Fund debt service cost in FY 15, assuming that the bonds providing funding for the \$10.0 million FY 14 authorization are issued the spring of 2014.

The bill allows up to 5.0% of the allotted funding in the operations budget for each fiscal year to be used for administrative expenses. Under the bill, Connecticut Innovations, Incorporated (CII) must prepare the operating and capital budget for the Connecticut Bioscience Innovation Fund (CBIF). It is therefore anticipated that CII, as the administrator of CBIF, will include a reimbursement in the operating budget sufficient to cover any administrative costs incurred.

The Out Years

The General Fund debt service cost indicated above will continue over the 20 year term of the bonds.

OLR Bill Analysis**sSB 838*****AN ACT ESTABLISHING A FUND FOR BIOSCIENCE INNOVATION.*****SUMMARY:**

This bill establishes the Connecticut Bioscience Innovation Fund (CBIF) to finance a wide range of commercially viable bioscience projects that will create jobs while lowering health care costs and improving the delivery of health care services. It capitalizes the fund by authorizing up to \$200 million in state General Obligation (G.O.) bonds over 10 years and allows the proceeds to be granted, loaned, or invested in projects proposed by start-up or early stage businesses, colleges and universities, and nonprofit organizations (eligible recipients).

The bill establishes a 13-member advisory committee to oversee the fund's operations and requires Connecticut Innovations, Inc. (CII), the state's quasi-public economic development agency, to administer the fund under the committee's supervision. The committee must establish the application process and eligibility requirements for financial assistance. It must also approve all expenditures except those to (1) repay the bonds and (2) reimburse CII for its cost to administer fund.

CII must manage the fund's assets; provide financial assistance to eligible recipients; and prepare the fund's annual plan, budget, and report, which must be reviewed and approved by the committee. By law, unchanged by the bill, CII provides different types of financial assistance, including equity investments, to businesses developing a wide range of technology-based products, techniques, and services. The bill allows CII to continue providing this assistance without risking or spending its funds to administer CBIF.

EFFECTIVE DATE: Upon passage

CONNECTICUT BIOSCIENCE INNOVATION FUND

The bill establishes CBIF to finance projects to improve the delivery of health care services, lower health care costs, and directly or indirectly create bioscience jobs. The projects can involve improvements or developments in services, therapeutics, diagnostics, and devices in pharmaceuticals, bioscience, biomedical engineering, medical care, medical devices, medical diagnostics, personalized medicine, health information management, and other related disciplines.

Nonprofit corporations, accredited colleges and universities, and for-profit start-up or early-stage businesses can propose the projects. Early stage businesses are those that have been operating for no more than three years and are developing or testing a product or service that is not yet available for commercial release or available only in a limited manner, including clinical trials or market testing of prototypes.

The fund can provide grants, credit extensions, loans, loan guarantees, equity investments, or any other form of financial assistance. Eligible recipients can use this assistance to pay for facilities; necessary furniture, fixtures, and equipment; materials and supplies; peer reviews; proof of concept or relevance; compensation; and other costs the advisory committee approves (see below).

Besides providing financial assistance to eligible recipients for the reasons described above, the fund must repay the bonds in the amounts the State Bond Commission requires and cover CII's administrative costs.

FUNDING***Bond Authorizations***

The bill capitalizes the fund by authorizing up to \$200 million in state G.O. bonds over 10 years, as Table 1 shows.

Table 1: Annual Bond Authorization for CBIF

<i>FY</i>	<i>Amount</i>
2013	\$10 million
2014	\$10 million
2015	\$15 million
2016	\$15 million
2017	\$25 million
2018	\$25 million
2019	\$25 million
2020	\$25 million
2021	\$25 million
2022	\$25 million

When approved, the bill deems the principal amount of each bond to be an appropriation and an allocation. It also deems the approval the governor's allotment for such capital outlays, as required under the law.

As a rule, the State Bond Commission cannot issue more bonds in a year than the schedule allows. But, if the advisory committee does not use the amount authorized for a fiscal year, the bill allows that amount to be added to following year's authorization. In addition, the bill allows the cost of issuing the bonds and any capitalized interest to be added to each year's total bond authorization.

As with other bond authorizations, the bill allows the treasurer to issue temporary notes before selling the bonds under the bill. (These notes are repaid with the proceeds from the bond sale.)

Issuance Requirements

Under the bill, bonds cannot be issued until CII and the state (acting through the Office of Policy and Management and the state treasurer) enter into a memorandum of understanding (MOU) on the bond issuance, which the State Bond Commission must approve. The MOU may include provisions regarding the extent to which federal, private, and other available funds should be added to the bond proceeds. The bill specifies that the MOU satisfies the bonding statutes' standard requirements.

Managing the Fund's Assets

CII must manage the fund by holding, administering, investing, and disbursing its assets, as the bill requires. It must put funds from the following sources in the fund:

1. money the law requires or permits to be deposited in the fund;
2. public or private contributions, gifts, grants, donations, bequests, or devises made to it;
3. principal and interest payments on loans CII makes with the fund's assets; and
4. returns on the fund's equity or other investments, including loan repayments, guarantee fees, royalties, options, warrants, debentures, and all forms of remunerations received in return for the fund's financial assistance.

Lastly, CII must carry forward any of the fund's year-end balance to the next fiscal year.

The bill allows CII to deposit money the fund receives, or already has, in an institution it chooses. The institutions receiving these funds must invest or pay them as CII directs. CII may tap these deposits to make payments for the purposes the bill authorizes.

The bill specifies that the CBIF is not a General Fund account and is available only for the purposes the bill authorizes.

ADVISORY COMMITTEE***Composition***

The bill establishes a 13-member advisory committee to oversee the fund. The committee consists of four members appointed by the governor; one appointed by each of the six top legislative leaders; the public health and economic and community development commissioners or their designees, who serve as ex officio voting members; and CII's executive director, who serves as the committee's chairperson. The governor and the legislative leaders must make their appointments by July 1, 2013.

Qualifications

The appointing officials must appoint members who have skill, knowledge, and experience in health care delivery systems, medical devices, life science, insurance, or information technology-related businesses and sciences. These members serve the same term as the official who appoints them, but must hold their position until that official appoints a successor. Appointing officials fill any vacancies for the term's balance.

Compensation

The members receive no compensation for their service, but must be reimbursed for their actual and necessary expenses while performing their official duties.

Meetings

The chairperson must call the committee's first meeting by September 30, 2013, and the committee must meet at least quarterly thereafter and when the chairperson deems it is necessary. The committee may transact business or exercise its powers only when it has a quorum (i.e., seven members present). In these situations, the committee must decide matters by a majority vote of the attending members.

Conflict of Interest

The bill specifies that it does not constitute a conflict of interest for

committee members to be affiliated with an eligible recipient or hold a financial interest in that recipient, as long as they abstain from any deliberation, action, or vote specifically related to that recipient. The affiliation can be as a trustee, director, partner, officer, manager, shareholder, proprietor, counsel, or employee.

Approving Financial Assistance

The advisory committee must establish a process for receiving and approving financial assistance applications that includes guidelines and terms for receiving such assistance. The guidelines and terms must include:

1. provisions requiring that applicants operate in Connecticut or relocate all or part of their operations here as a condition of receiving the assistance,
2. limits on total grant and loan amounts,
3. grant and loan eligibility requirements that encourage and support collaboration among eligible recipients,
4. requirements for peer reviews,
5. a process for CII to screen applications for strength and eligibility before presenting them to the committee for its consideration,
6. objectives for returns on investments, and
7. any other guidelines and terms the committee determines are necessary and appropriate to further the fund's objectives.

Expenditure Control

The advisory committee must approve all CBIF expenditures except those made to CII to cover its administrative costs and the amounts required by the State Bond Commission to repay the bonds issued to capitalize the fund. The committee must exercise expenditure control by approving expenditures for:

1. specific purposes;
2. budgeted amounts, with variations the committee authorizes when it approves the budget; or
3. financial assistance to eligible recipients, subject to any limits, eligibility requirements, or conditions the committee may impose.

CII's FUND ADMINISTRATION DUTIES

Besides managing CBIF's assets and providing financial assistance, CII must use the fund to cover the bill's administrative requirements. Specifically, it must provide any staff, office space and systems, and administrative support needed to do so. In administering the fund, CII may use any of its statutory powers as the state's venture capital and technology innovation arm (e.g., enter into agreements providing financial assistance for marketing new and innovative services based on the use of specific technologies, products, techniques, services, or processes).

CII's administrative responsibilities include preparing an annual operations plan and operating and capital budget, which it must do for each fiscal year beginning January 1, 2014. It must submit these documents to the advisory committee for review and approval no later than 90 days before the fiscal year begins.

CII must recover its administrative costs from the fund's assets. These costs include peer reviews, professional fees, allocated staff costs, and other out-of-pocket costs CII attributes to operating and administering the fund. The bill limits the total reimbursement for these costs to 5% of the fund's total annual allotment, as specified in the operating budget.

By April 15, 2014, and annually thereafter, CII must report on the fund's activity to the advisory committee, providing any available information on the fund's status; its operational performance; the type, amount, and recipients of the financial assistance it provided; and any

returns on the fund's investment. The committee must review the report and, upon approving it, submit it to the Appropriations; Commerce; Public Health; Higher Education; and Finance, Revenue and Bonding committees.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference

Yea 15 Nay 2 (03/07/2013)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 39 Nay 11 (04/16/2013)